



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
HARLAN COUNTY  
SHERIFF'S SETTLEMENT - 1996 TAXES AND  
SHERIFF'S SETTLEMENT - 1996 UNMINED COAL TAXES**

**February 19, 1998**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Joseph A. Grieshop, County Judge/Executive  
Honorable Steve Duff, Harlan County Sheriff  
Members of the Harlan County Fiscal Court

Independent Auditor's Report

We have audited the Harlan County Sheriff's Settlement -1996 Taxes as of February 19, 1998 and the Sheriff's Settlement - 1996 Unmined Coal Taxes as of February 19, 1998. These tax settlements are the responsibility of the Harlan County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standard, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Harlan County Sheriff's taxes charged, credited, and paid as of February 19, 1998, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable Joseph A. Grieshop, County Judge/Executive  
Honorable Steve Duff, Harlan County Sheriff  
Members of the Harlan County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated December 14, 1999, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
December 14, 1999

HARLAN COUNTY  
STEVE DUFF, SHERIFF  
SHERIFF'S SETTLEMENT – 1996 TAXES

February 19, 1998

| <u>Charges</u>                             | <u>County Taxes</u> | <u>Special<br/>Taxing Districts</u> | <u>School Taxes</u> | <u>State Taxes</u>  |
|--|---------------------|-------------------------------------|---------------------|---------------------|
| Real Estate                                | \$ 681,733          | \$ 374,532                          | \$ 1,251,736        | \$ 686,246          |
| Tangible Personal Property                 | 222,528             | 125,435                             | 404,782             | 465,751             |
| Intangible Personal Property               |                     |                                     |                     | 195,176             |
| Limestone                                  | 326                 | 179                                 | 721                 | 328                 |
| Bank Shares                                | 47,566              |                                     |                     |                     |
| Fire Protection                            | 6,298               |                                     |                     |                     |
| Franchise Corporation                      | 107,766             | 60,473                              | 186,525             |                     |
| Increased Through Erroneous<br>Assessments | 646                 | 370                                 | 1,477               | 647                 |
| Penalties                                  | 10,692              | 5,875                               | 18,603              | 10,921              |
| Discounts Charged Back on Refunds          |                     |                                     |                     | 115                 |
| Adjusted to Sheriff's Receipt              | 4                   | 29                                  | (1)                 | 15                  |
| Gross Chargeable to Sheriff                | <u>\$ 1,077,559</u> | <u>\$ 566,893</u>                   | <u>\$ 1,863,843</u> | <u>\$ 1,359,199</u> |
| <u>Credits</u>                             |                     |                                     |                     |                     |
| Discounts                                  | \$ 13,570           | \$ 6,932                            | \$ 22,849           | \$ 19,042           |
| Exonerations                               | 4,105               | 2,252                               | 8,722               | 95,108              |
| Delinquents:                               |                     |                                     |                     |                     |
| Real Estate                                | 60,395              | 33,052                              | 117,309             | 60,534              |
| Tangible Personal Property                 | 7,976               | 4,496                               | 14,917              | 18,249              |
| Intangible Personal Property               |                     |                                     |                     | 221                 |
| Uncollected Franchise                      | 237                 | 134                                 | 474                 |                     |
| Total Credits                              | <u>\$ 86,283</u>    | <u>\$ 46,866</u>                    | <u>\$ 164,271</u>   | <u>\$ 193,154</u>   |
| Net Tax Yield                              | \$ 991,276          | \$ 520,027                          | \$ 1,699,572        | \$ 1,166,045        |
| Less: Commissions *                        | <u>42,417</u>       | <u>22,101</u>                       | <u>67,983</u>       | <u>49,844</u>       |
| Net Taxes Due                              | \$ 948,859          | \$ 497,926                          | \$ 1,631,589        | \$ 1,116,201        |
| Taxes Paid                                 | 948,956             | 497,961                             | 1,631,586           | 1,116,087           |
| Add: Penalty Per Settlement                |                     |                                     |                     | 11                  |
| Less: Bank Share Commissions Lost          |                     |                                     |                     | <u>5,537</u>        |
| Due Districts or (Refunds Due Sheriff)     |                     | **                                  |                     |                     |
| as of Completion of Fieldwork              | <u>\$ (97)</u>      | <u>\$ (35)</u>                      | <u>\$ 3</u>         | <u>\$ (5,412)</u>   |

\* and \*\* See Page 4

HARLAN COUNTY  
 STEVE DUFF, SHERIFF  
 SHERIFF'S SETTLEMENT -1996 TAXES  
 February 19, 1998  
 (Continued)

\* Commissions:

|          |    |           |
|----------|----|-----------|
| 10% on   | \$ | 10,000    |
| 4.25% on | \$ | 2,667,348 |
| 4% on    | \$ | 1,699,572 |

\*\* Special Taxing Districts:

|                    |    |          |
|--------------------|----|----------|
| Library District   | \$ | (12)     |
| Health District    |    | (12)     |
| Extension District |    | (12)     |
| Soil District      |    | <u>1</u> |

|  |    |                    |
|--|----|--------------------|
| Due Districts or (Refunds Due Sheriff) | \$ | <u><u>(35)</u></u> |
|--|----|--------------------|



HARLAN COUNTY  
STEVE DUFF, SHERIFF  
SHERIFF'S SETTLEMENT – 1996 UNMINED COAL TAXES

February 19, 1998

| <u>Charges</u>                                 | <u>County Taxes</u> | <u>Special<br/>Taxing Districts</u> | <u>School Taxes</u> | <u>State Taxes</u> |
|--|---------------------|-------------------------------------|---------------------|--------------------|
| Sheriff's Official Receipt for<br>Unmined Coal | \$ 144,843          | \$ 79,574                           | \$ 320,085          | \$ 145,737         |
| Penalties                                      | 130                 | 72                                  | 287                 | 131                |
| Gross Chargeable to Sheriff                    | <u>\$ 144,973</u>   | <u>\$ 79,646</u>                    | <u>\$ 320,372</u>   | <u>\$ 145,868</u>  |
| <u>Credits</u>                                 |                     |                                     |                     |                    |
| Discounts                                      | \$ 2,772            | \$ 1,523                            | \$ 6,127            | \$ 2,790           |
| Exonerations                                   | 356                 | 196                                 | 787                 | 358                |
| Delinquents                                    | <u>2,370</u>        | <u>1,302</u>                        | <u>5,238</u>        | <u>2,385</u>       |
| Total Credits                                  | <u>\$ 5,498</u>     | <u>\$ 3,021</u>                     | <u>\$ 12,152</u>    | <u>\$ 5,533</u>    |
| Net Tax Yield                                  | \$ 139,475          | \$ 76,625                           | \$ 308,220          | \$ 140,335         |
| Less: Commissions *                            | <u>5,928</u>        | <u>3,257</u>                        | <u>12,329</u>       | <u>5,964</u>       |
| Net Taxes Due                                  | \$ 133,547          | \$ 73,368                           | \$ 295,891          | \$ 134,371         |
| Taxes Paid                                     | <u>133,547</u>      | <u>73,368</u>                       | <u>295,891</u>      | <u>134,371</u>     |
| Due District<br>as of Completion of Fieldwork  | <u>\$ 0</u>         | <u>\$ 0</u>                         | <u>\$ 0</u>         | <u>\$ 0</u>        |

\* Commissions:

4.25% on \$ 356,435  
4% on \$ 308,220

The accompanying notes are an integral part of the financial statements

HARLAN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

February 19, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff met the requirements stated above, and as of October 15, 1997 and February 19, 1998 deposits were fully insured or collateralized at a 100% level with collateral held by the county official's agent in the county official's name.

HARLAN COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
February 19, 1998  
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1996. Property taxes were billed to finance governmental services for the year ended June 30, 1997. Liens are effective when the tax bills become delinquent. The collection period for these assessments was July 23, 1997 through January 30, 1998.

Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1996. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was July 17, 1997 through January 30, 1998.

Note 4. Interest Income

The Harlan County Sheriff earned \$9,054 as interest income on taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

Note 5. Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For 1996 taxes, the Sheriff had \$504 in unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





## Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Joseph A. Grieshop, County Judge/Executive  
Honorable Steve Duff, Harlan County Sheriff  
Members of the Harlan County Fiscal Court

### Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the Harlan County Sheriff's Settlement - Taxes as of February 19, 1998 and Sheriff's Settlement - 1996 Unmined Coal Taxes as of February 19, 1998, and have issued our report thereon dated December 14, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Harlan County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Joseph A. Grieshop, County Judge/ Executive  
Honorable Steve Duff, Harlan County Sheriff  
Members of the Harlan County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed –  
December 14, 1999



